

# NHS Ayrshire & Arran

<b>Meeting:</b>	<b>Ayrshire and Arran NHS Board</b>
<b>Meeting date:</b>	<b>Monday 4 December 2023</b>
<b>Title:</b>	<b>Financial Management Report for seven months to 31 October 2023</b>
<b>Responsible Director:</b>	<b>Derek Lindsay, Director of Finance</b>
<b>Report Author:</b>	<b>Fiona McGinnis, Assistant Director of Finance – Governance and Shared Services</b>

## 1. Purpose

This is presented for:

- Discussion

This paper relates to:

- Annual Operational Plan

This aligns to the following NHS Scotland quality ambition(s):

- Effective

## 2. Report summary

### 2.1 Situation

The Health Board set a deficit budget of £56.4 million for the 2023/2024 financial year on 28 March 2023. The overspend for the seven months to 31 October is £31.1 million of which £16.5 million is Acute Services. This is a slight improvement on this projection, however Scottish Government expect a larger improvement on this position. Bed closures and reduced nurse agency use in recent months are showing signs of improvement, however during winter further progress on these will be challenging.

### 2.2 Background

The budget for 2023/2024 was approved at the Board meeting on 28 March 2023 and set out £53.2 million of recurring cost pressures, compared to about £19.7 million of additional funding. Cash releasing efficiency savings of £9.6 million are targeted for the year.

## **2.3 Assessment**

An excess of cost pressures over the funding uplift and achievable cash efficiency savings has caused a deterioration in the planned annual deficit from last year. The acute overspend against budget is partly driven by excess unfunded beds being open and high use of agency nurses and doctors.

### **2.3.1 Quality/patient care**

Financial resources contribute directly to quality of patient care.

### **2.3.2 Workforce**

Section five of the attached report comments on workforce numbers and agency spend.

### **2.3.3 Financial**

The cash releasing efficiency savings plan (CRES) is shown in Appendix 3. The annual plan totals £9.6 million, however there is some slippage in Acute and I&SS (Infrastructure and Support Services).

### **2.3.4 Risk assessment/management**

Section six in the paper attached sets out risk assessment and mitigations.

### **2.3.5 Equality and diversity, including health inequalities**

An impact assessment has not been completed because this report is a monitoring report therefore does not require an equality and diversity impact assessment.

### **2.3.6 Other impacts**

This report reflects the best value principles of governance and accountability in respect of use of resources.

### **2.3.7 Communication, involvement, engagement and consultation**

The Board has carried out its duties to involve and engage external stakeholders where appropriate.

## **2.4 Recommendation**

For discussion. Members are asked to examine and consider the implications of the matter.

## **3. List of appendices**

The following appendices are included with this report:

**Appendix No 1, Income and expenditure summary for health services**

**Appendix No 2, Confirmed and anticipated allocations**

**Appendix No 3, Cash releasing efficiency savings**

## 1. Background

1.1 This report shows the revenue position at 31 October 2023. This is a £31.1 million deficit. This is a slight improvement on the approved revenue plan by the Board, but further improvement on this is required by the Scottish Government.

## 2. Revenue Resource Limit and Overall Financial Position

2.1 The total allocations for the year are anticipated to be £1.115 billion, as detailed on Appendix 2. Funding received in the October allocation include £4.4 million for the Outcomes Framework, a share of the £20m Pharmacy Tariff increase totalling £1.5 million, an allocation of £1.02 million for Collaborative Clinical and Care Support and an allocation deduction of £6 million for the Pharmacy Tariff transfer (of £80 million transfer nationally to community pharmacy remuneration).

2.2 Of the remaining £89.3 million anticipated allocations, Family Health Services accounts for £58.8 million, Medical and Dental Pay Award £4.3 million, Action 15 Mental Health Strategy £4.2 million, and Mental Health CAMHS (Child and Adolescent Mental Health Service) fund £2.4 million.

2.3 The Board set a deficit budget of £56.4 million for 2023/2024. The Board is £31.1 million overspent after seven months which is a slight improvement on the original financial plan.

## 3. Acute Services

3.1.1 The annual budget for Acute Services is £421.7 million. The directorate has overspent by £16.5 million in the year to date. £6.24 million was spent on unfunded beds, (please see section 3.1.6 below), however other pay and supplies overspends as well as unachieved savings also contribute.

Table 1a	Annual Budget	YTD Budget	YTD Actual	YTD Var	Month Budget	Month Actual	Month Var
All Acute	£000	£000	£000	£000	£000	£000	£000
Pay	308,255	179,903	192,119	(12,216)	29,111	30,147	(1,036)
Supplies	67,788	38,170	41,914	(3,744)	5,896	6,411	(515)
Purchase of Healthcare	82,921	48,672	48,052	620	6,814	6,849	(35)
Provision of Healthcare	(32,877)	(18,899)	(18,979)	80	(3,691)	(3,724)	32
Operating Income	(2,017)	(1,490)	(1,660)	170	(623)	(649)	26
Unallocated Savings	(2,356)	(1,374)	0	(1,374)	(196)	0	(196)
<b>Total</b>	<b>421,714</b>	<b>244,982</b>	<b>261,446</b>	<b>(16,464)</b>	<b>37,310</b>	<b>39,034</b>	<b>(1,723)</b>

3.1.2 Pay is £12.2 million overspent. Nursing pay was £7.1 million overspent (with over 70% of this related to unfunded beds) whilst medical pay was £4.5 million over. Cumulative nursing agency spend within acute was £4.72 million (with £1.5 million being in accident and emergency and combined assessment units) and medical agency spend was £3.4 million.

3.1.3 Supplies are £3.7 million overspent with £0.9 million over on taxis and private ambulances, £0.8 million on prescribing, £0.7 million on equipment (such as insulin pumps and continuous glucose monitors), £0.6 million on laboratory supplies and £0.2 million on radiology reporting which is off-set by a underspend on salaries.

3.1.4 Unallocated savings are £2.4 million and will contribute £0.2 million adverse variance each month until the savings are found.

3.1.5 There were 198 delayed discharges in our hospitals on the 31 October 2023. The table below shows the distribution of these delays across HSCP (Health and Social Care Partnerships) and hospital location. These do not include patients waiting for a bed in a community hospital.

HSCP	Acute	Comm	MH	Total
East	17	3	5	25
North	47	17	11	75
South	60	37	1	98
Total	124	57	17	198

3.1.6 Ward 5B at UHC (University Hospital Crosshouse) closed on the 10 of June 2023 and Station 10 at UHA (University Hospital Ayr) closed on the 26 April 2023. Station 1 at UHA along with 5A, 4E and 3F at UHC remain open without funding, however Station 2 closed in early September. Agency nurse spend on these wards in the first seven months of the year was £403,705 for ward 4E, £332,335 for ward 3F and £272,090 for Ward 5A (which is for orthopaedics with £479,317 agency nursing spend in other orthopaedic wards at Crosshouse).

<b>M7 Spend on unfunded wards</b>									
		<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
UHA	Station 1	261	79	163	182	192	174	178	1,229
UHA	Station 2	138	177	109	144	51			619
UHA	Station 10	97	6	-	-	-		-	103
UHC	5a	227	223	180	193	226	229	229	1,507
UHC	5b	160	184	97	25	14	10	13	503
UHC	4e	167	258	216	189	206	211	227	1,474
UHC	3F	110	78	121	93	100	78	224	804
<b>Total</b>		<b>1,160</b>	<b>1,005</b>	<b>886</b>	<b>826</b>	<b>789</b>	<b>702</b>	<b>871</b>	<b>6,239</b>

## 3.2 New Medicines Fund

3.2.1 The New Medicines Fund Budget is £16.3 million. It is expected to spend £21 million full year, with a year to date overspend of £1.5 million.

## 3.3 Health and Social Care Partnerships (HSCPs)

3.3.1 The total health budgets for the three HSCPs are now £518.1 million.

3.3.2 Appendix 1 shows no net under or overspend against the three HSCPs (now bottom of section of Appendix 1) as these belong to Integration Joint Boards rather than the Health Board.

### 3.4 Infrastructure and Support Services (I&SS)

3.4.1 Operational Infrastructure and Support Services includes estates, hotel services and digital services. Infrastructure and Support Services budgets are separated between those which are operational service provision and those which are corporate in nature such as capital charges, energy and private finance initiative (PFI) costs. They have an aggregate annual budget of £111.3 million. Operational I&SS services are overspent by £0.31 million after seven months due to underachievement of CRES plan whilst Corporate I&SS services were over by £0.39 million due to higher energy costs than budgeted for.

### 3.5 Corporate Services

3.5.1 Other corporate services have budgets of £40.6 million and comprise Public Health (which includes £5.8 million for the vaccination programme), the Nursing Directorate, the Medical Directorate, Human Resources and Organisational Development, Finance, Transformation and Sustainability and the Chief Executive's office. These areas generally have underspends, which in aggregate total £1.88 million.

### 3.6 Corporate Resource and Reserves

3.6.1 Reserves (budgets and deficits not issued to directorates) are £14.8 million overcommitted after seven months. This is due to the underlying deficit which increased by £23.9 million after the 2023/2024 budget setting process but is offset by funding held in reserves yet to be issued to directorates.

## 4. Efficiency and Transformation Programme

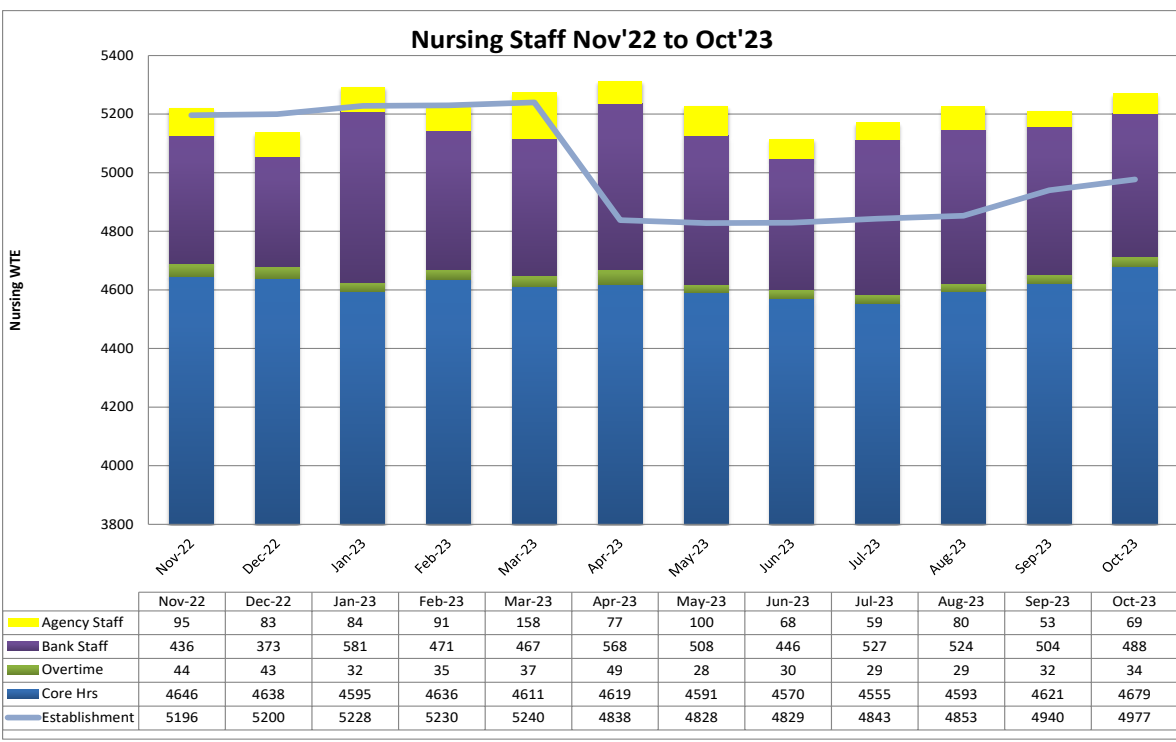
4.1 The Cash Releasing Efficiency Savings (CRES) programme for 2023/2024 totals £9.6 million. There is considerable delivery risk in acute and Infrastructure and Support Services however this is monitored monthly. See Appendix 3 for the programmes included and the projected delivery of £8.9 million.

## 5. Workforce

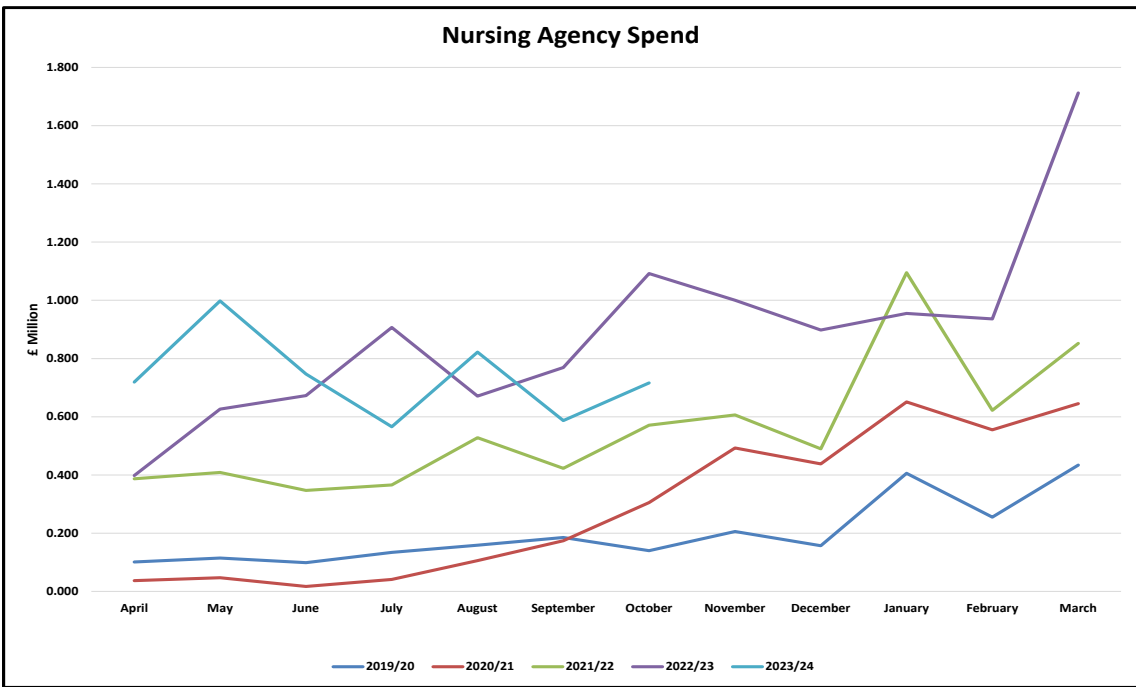
5.1 The table below shows the whole time equivalent (WTE) staff used from April to October 2023. It then compares this with the average in preceding years. There has been a marked and sustained increase in WTE during the COVID-19 pandemic. Staffing peaked in April 2023 and then started to reduce in May and June but has increased again each month thereafter.

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	2022-23	2021-22	2020-21	2019-20
	WTE	WTE	WTE	WTE	WTE	WTE	WTE	Apr-Mar Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE
Contracted Hrs	9,611	9,633	9,389	9,572	9,540	9,500	9,718	9,478	9,291	9,034	8,809
Excess Part Time Hrs	260	155	386	219	241	394	274	306	344	317	285
Overtime	92	59	60	62	63	64	70	86	106	116	93
Bank Staff	568	508	446	527	524	504	488	462	406	321	253
Agency Staff	95	122	90	83	153	74	96	117	82	55	60
<b>Total WTE</b>	<b>10,626</b>	<b>10,477</b>	<b>10,371</b>	<b>10,463</b>	<b>10,521</b>	<b>10,536</b>	<b>10,646</b>	<b>10,449</b>	<b>10,230</b>	<b>9,843</b>	<b>9,500</b>

5.2 The graph below shows the trend for nursing staff. This includes bank staff, overtime, excess part time hours and agency. We were 293 WTE over our nursing establishment in Month 7. The establishment in 2022/2023 included 366 WTE for unfunded wards. There is no budget and therefore no funded establishment for these wards in 2023/2024.

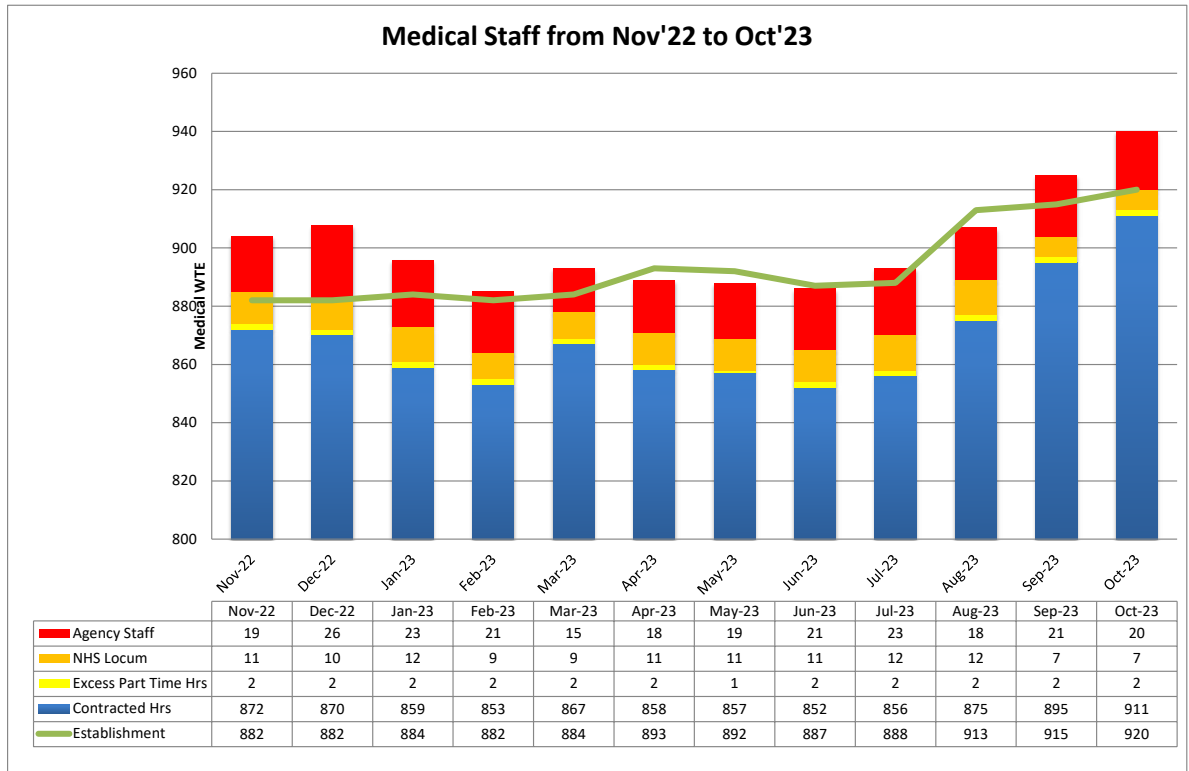


5.3 Nursing agency spend had reduced in July to £0.6 million as non-framework providers (who charge higher commission) were not used in favour of framework providers. The spend has since fluctuated between months and in October it increased to £0.7 million. Further reduction in volume of nursing agency shifts is being addressed through the closure of unfunded wards and filling of vacant registered nurse posts on a substantive basis. Newly qualified nurses recently employed should help reduce agency nurse spend further.

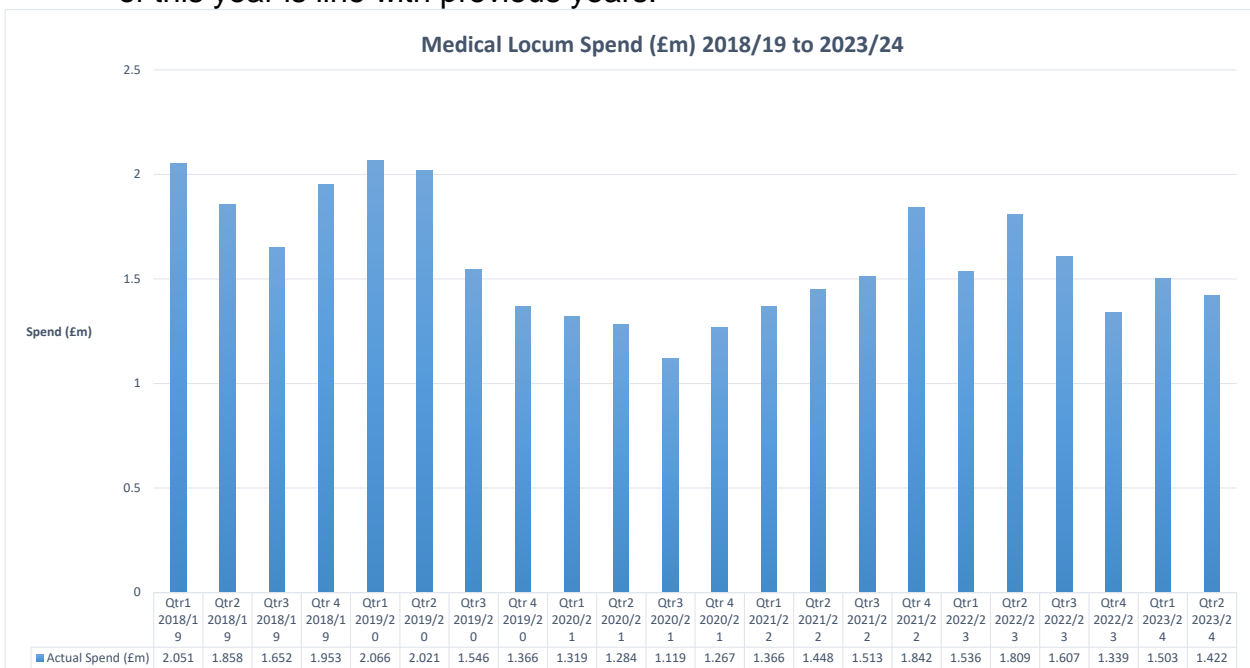


5.4 We used 940 WTE medical staff in October, including locums and agency. This was 20 above establishment, which mainly relates to Clinical Development Fellows.

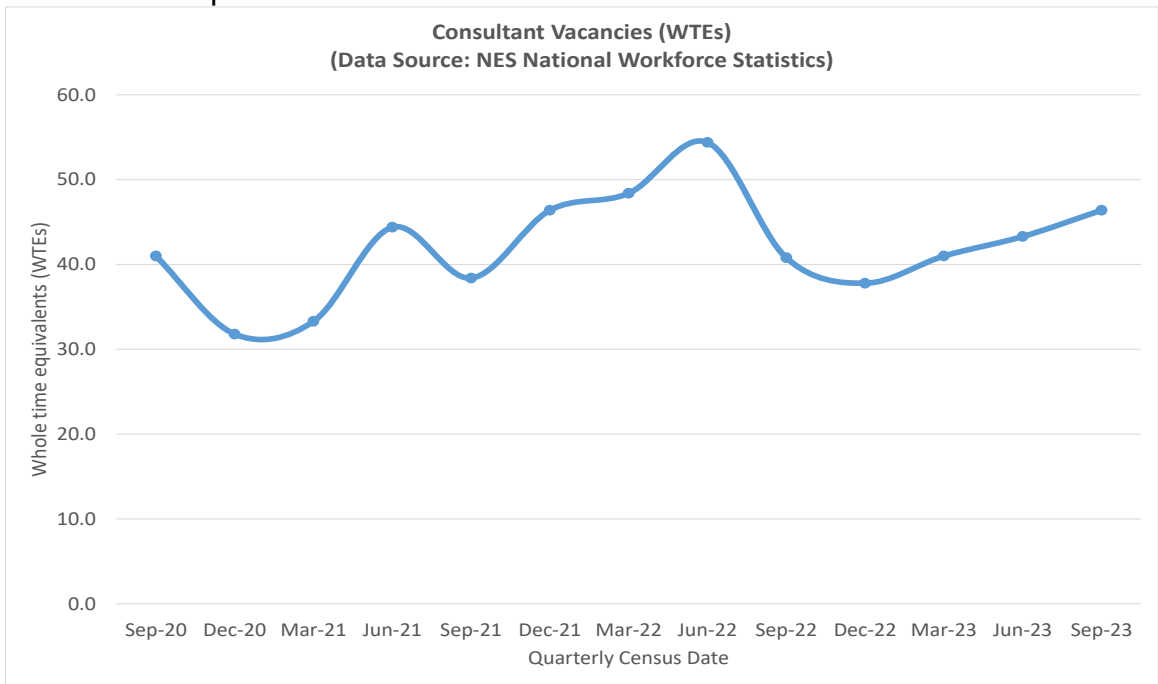
5.5 The graph below shows the trend from November 2022 to October 2023. The high cost of some medical agency staff is a driver for an overspend against the medical staff budget. Medical agency spend was £0.6 million in October. An increased number of junior doctors is the main driver for the increase in contracted hours.



5.6 The graph below shows the trend in medical agency spend from quarter one of 2018/2019 to quarter two of 2023/2024. Spend over the last three years has been quite consistent, with an average spend of £1.55 million per quarter and the first half of this year is line with previous years.

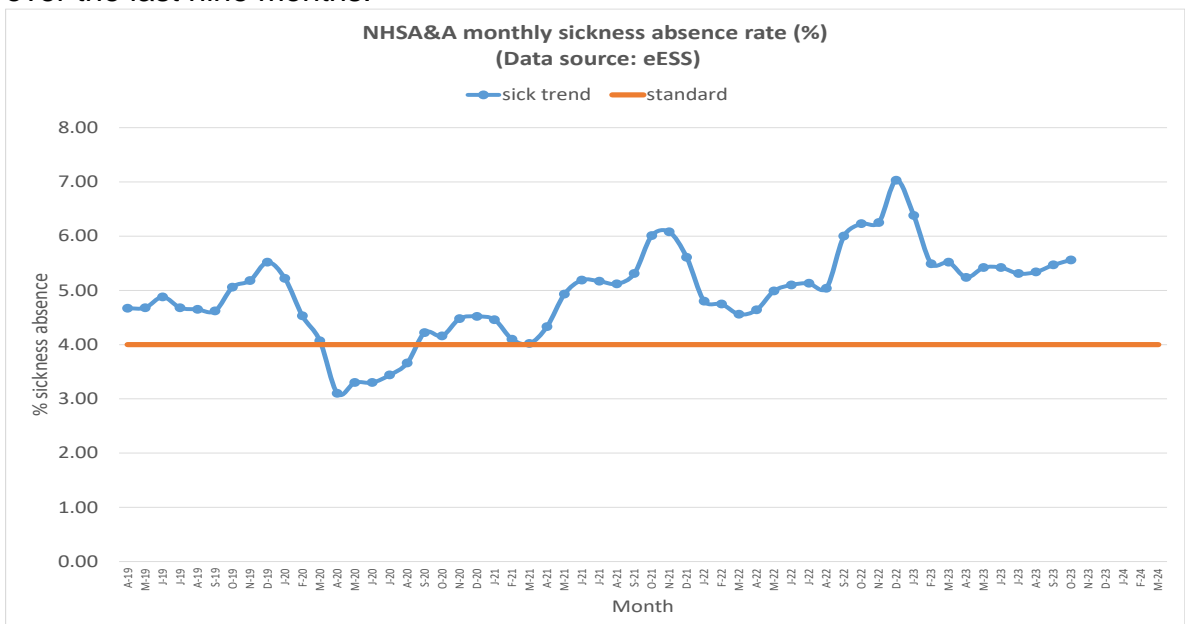


5.7 The level of consultant vacancies impacts directly on medical agency spend. The graph below shows the number of vacancies over time from September 2020 to September 2023. There has been a slight increase in the number of vacancies over the last three quarters.



5.8 Staff sickness absence from work has organisational impact beyond the individual staff member, affecting other staff, service delivery, productivity and cost, where backfill arrangements have to be put in place.

5.9 Driven by the Board's People Strategy, the Health, Safety and Wellbeing Improvement Plan identifies the programme of work being undertaken to improve staff health and wellbeing and, through the Promoting Attendance Policy, to have a clear process for appropriately managing staff sickness absence. The graph below shows sickness absence trends (excluding COVID-19 related absence) from 2019/2020 to October 2023. Sickness absences rate have remained relatively static over the last nine months.





## **6.0 Risk assessment and mitigation**

- 6.1 The Board set a deficit plan of £56.4 million, however Scottish Government require an improvement on this.
- 6.2 Operational overspends within acute are £16.5 million after seven months. This run rate requires to reduce through the closure of unfunded beds and reduced use of agency nurse staff. High delayed discharges in acute hospitals makes bed closures difficult.
- 6.3 The provision of GP Prescribing expenditure information for 2023/2024 has been delayed due to the implementation of a new national system therefore there potentially could be a cost pressure that is not currently reported. Price increases are not within Board control and could result in an overspend.
- 6.4 No COVID-19 funding is available to pay for additional beds in 2023/2024. Cost avoidance by closing these is essential to achieve the financial plan.
- 6.5 3% operational CRES is likely to prove challenging for some areas.
- 6.6 Primary Care Prescribing is a delegated budget to IJBs (Integration Joint Board). However, the Health Board is responsible for under and overspends. The implementation of a new national system has resulted in very limited data being available in this year. In late November we became aware that data until the end of July resulted in an overspend of £583,000. This is not reflected in the figures in this report at this stage. The forecast year end position is uncertain and will be driven by future volume and particularly price changes.

## Financial Position for October 2023

	Salaries				Supplies				Total				Forecast Outturn £000
	Annual Budget £000	Year to Date			Annual Budget £000	Year to Date			Annual Budget £000	Year to Date			
		Budget £000	Expenditure £000	Variance £000		Budget £000	Expenditure £000	Variance £000		Budget £000	Expenditure £000	Variance £000	
Acute	308,255	179,903	192,119	(12,216)	113,459	65,079	69,326	(4,248)	421,714	244,982	261,446	(16,464)	(27,558)
New Medicines Fund				0	16,264	9,071	10,522	(1,451)	16,264	9,071	10,522	(1,451)	(4,736)
Pharmacy	11,961	7,031	6,864	167	(335)	(156)	359	(515)	11,626	6,874	7,223	(349)	(325)
UNPACs	32	19	0	19	1,831	1,068	336	732	1,863	1,087	336	751	1,231
<b>Acute and Clinical Services</b>	<b>320,248</b>	<b>186,953</b>	<b>198,984</b>	<b>(12,031)</b>	<b>131,219</b>	<b>75,061</b>	<b>80,543</b>	<b>(5,482)</b>	<b>451,467</b>	<b>262,014</b>	<b>279,526</b>	<b>(17,513)</b>	<b>(31,388)</b>
ISS (Operational)	48,707	28,565	28,058	507	11,680	6,914	7,723	(808)	60,387	35,480	35,781	(301)	(456)
ISS (Corporate)	73	43	43	0	50,841	26,045	26,439	(394)	50,914	26,088	26,482	(393)	(787)
Chief Executive	983	600	572	28	(7)	(4)	3	(7)	976	596	575	21	41
Director Public Health	12,957	7,515	6,142	1,373	2,742	519	424	95	15,699	8,034	6,566	1,468	700
Medical Director	4,519	2,636	2,964	(328)	(2,800)	(1,791)	(2,106)	315	1,719	845	859	(13)	413
Nursing Director	9,127	5,411	4,768	643	(492)	(13)	125	(138)	8,635	5,398	4,893	505	802
Finance	5,375	3,153	3,062	91	(484)	(156)	(75)	(81)	4,891	2,997	2,987	10	81
ORG and HR Development	5,865	3,446	3,411	35	427	(312)	(102)	(211)	6,291	3,134	3,309	(175)	(216)
West Of Scotland Region Ce	30	28	26	2	(30)	(30)	(28)	(2)	0	(1)	(1)	0	0
Transformation+sustainability	2,329	1,380	1,324	56	57	24	17	7	2,386	1,404	1,341	63	126
<b>Non Clinical Support Services</b>	<b>89,965</b>	<b>52,778</b>	<b>50,369</b>	<b>2,408</b>	<b>61,933</b>	<b>31,197</b>	<b>32,421</b>	<b>(1,224)</b>	<b>151,898</b>	<b>83,974</b>	<b>82,790</b>	<b>1,184</b>	<b>704</b>
Corporate Resource	610	610	610	0	3,228	(1,813)	(2,112)	298	3,838	(1,204)	(1,502)	298	342
Corporate Reserves	4,774	0	0	0	(14,968)	(15,067)	0	(15,067)	(10,194)	(15,067)	0	(15,067)	(23,750)
<b>Corporate Resource and Reserves</b>	<b>5,384</b>	<b>610</b>	<b>610</b>	<b>0</b>	<b>(11,740)</b>	<b>(16,880)</b>	<b>(2,112)</b>	<b>(14,768)</b>	<b>(6,356)</b>	<b>(16,270)</b>	<b>(1,502)</b>	<b>(14,768)</b>	<b>(23,408)</b>
<b>NHS A&amp;A Health Board Total</b>	<b>415,597</b>	<b>240,340</b>	<b>249,962</b>	<b>(9,622)</b>	<b>181,412</b>	<b>89,378</b>	<b>110,852</b>	<b>(21,474)</b>	<b>597,009</b>	<b>329,718</b>	<b>360,814</b>	<b>(31,096)</b>	<b>(54,092)</b>
East Hscp	67,808	39,762	39,004	758	156,831	94,693	94,909	(216)	224,639	134,455	133,914	541	0
North Hscp	99,839	58,816	58,613	203	86,485	50,671	51,010	(338)	186,324	109,487	109,623	(135)	0
South Hscp	39,273	22,986	21,808	1,178	67,855	39,139	39,978	(839)	107,128	62,125	61,786	339	0
HSCP underspends owed to IJBs	0	0	2,138	(2,138)	0	0	(1,393)	1,393	0	0	745	(745)	0
<b>NHS A&amp;A Total inc HSCPs</b>	<b>622,516,438</b>	<b>361,904</b>	<b>371,526</b>	<b>(9,622)</b>	<b>492,584</b>	<b>273,881</b>	<b>295,355</b>	<b>(21,474)</b>	<b>1,115,100</b>	<b>635,785</b>	<b>666,881</b>	<b>(31,096)</b>	<b>(54,092)</b>

<b>Confirmed and Anticipated Allocations Month 7</b>				
<b>Category</b>	<b>Recurring £'000</b>	<b>Earmarked Recurring £'000</b>	<b>Non Recurring £'000</b>	<b>Total £'000</b>
<b>Allocations Received @ M6</b>	<b>894,040</b>	<b>93,068</b>	<b>36,741</b>	<b>1,023,849</b>
Outcomes Framework	4,394			4,394
Pharmacy £20m Tariff Increase		1,520		1,520
Pharmacy Foundation Year (formerly PRPS)		(379)		(379)
Pharmacy £80m Tariff Transfer		(6,017)		(6,017)
Collaborative Clinical and Care Support			1,023	1,023
Digital Health and Care			588	588
Community Mental Health			373	373
International Recruitment			216	216
Inequalities Cervical Audit			158	158
Childrens Weight Management			77	77
<b>Allocation Received Month 7</b>	<b>4,394</b>	<b>(4,875)</b>	<b>2,435</b>	<b>1,954</b>
<b>Anticipated Allocations</b>				
FHS Non Cash Limited	58,851			58,851
Medical & Dental Pay Award	4,313			4,313
Specialty Doctors	440			440
Action 15 Mental Health Strategy		4,203		4,203
Mental Health R&R Fund CAMHS		2,393		2,393
GDS Public Dental Service		2,038		2,038
CAMHS Improvement		1,309		1,309
Primary Care Improvement Fund		1,254		1,254
Psychological Therapies		571		571
Perinatal and Infant Mental Health Services		431		431
Emergency Covid Funding for Eating Disorders		328		328
District Nurse Er		238		238
Maternity and Neonatal Psychological Intervention		162		162
Community Perinatal Mental Health		157		157
Mental Health Pharmacy Recruitment		117		117
Single Point of Contact		34		34
Discovery		(40)		(40)
HPV Topslice		(281)		(281)
Global Sum		(342)		(342)
Child Hospice		(515)		(515)
PET Scan		(686)		(686)
NDC Logistic Service Charges		(971)		(971)

<b>Confirmed and Anticipated Allocations Month 7</b>				
<b>Category</b>	<b>Recurring</b>	<b>Earmarked</b>	<b>Non</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>Recurring</b>	<b>£'000</b>
			<b>£'000</b>	<b>£'000</b>
Non-core Depreciation			16,532	<b>16,532</b>
23/24 Anticipated AME			2,000	<b>2,000</b>
Quarriers			1,715	<b>1,715</b>
ROU Asset Depreciation			1,704	<b>1,704</b>
Capital Sacrifice			1,508	<b>1,508</b>
Additional DEL Funding			1,680	<b>1,680</b>
National Treatment Centre			1,035	<b>1,035</b>
Woodland View Depreciation			921	<b>921</b>
Ayrshire Maternity Unit Depreciation			621	<b>621</b>
Family Nurse Partnership Sla Tranche 2			475	<b>475</b>
2023 Balance Carried Forward			432	<b>432</b>
Dementia Post Diagnostic Support			258	<b>258</b>
Community Mental Health			215	<b>215</b>
Clinical Frailty Assistant (cfa)			200	<b>200</b>
Pre-reg Pharmacy Tech Scheme			177	<b>177</b>
IFRS16 Peppercorn Depreciation			163	<b>163</b>
Primary Care Out Of Hours 23-24			110	<b>110</b>
Lease Interest IFRS 16			98	<b>98</b>
EIC			94	<b>94</b>
Health Staffing Act			74	<b>74</b>
CQI			65	<b>65</b>
Cevical Audit			65	<b>65</b>
Screening Inequalities			48	<b>48</b>
Projected Learning Times GPS			36	<b>36</b>
Revenue Sacrifice			(38)	<b>(38)</b>
Provisions AME			(350)	<b>(350)</b>
Lease Payments IFRS16			(1,802)	<b>(1,802)</b>
Depreciation Deduction			(12,745)	<b>(12,745)</b>
<b>Total Received and Anticipated Allocations</b>	<b>962,038</b>	<b>98,594</b>	<b>54,468</b>	<b>1,115,100</b>

## Cash Releasing Efficiency Savings

Plan v Forecast	£000	£000
Plan Area (operational)	Annual Plan	Forecast Variance @ M12
Ward 5a/SAU 4c	630	277
Renal 2D/2F	600	(600)
lab services managed contract consumables	70	0
SLA efficiency	2,100	0
Acute Prescribing	1,700	168
Primary Care Prescribing	1,750	37
LED lighting	100	0
3% Corporate CRES -		
Chief Executive	30	0
Public health	210	0
Medical Director	60	0
Nurse Director	165	0
I&SS Operational	1,588	(492)
I&SS Corporate*	0	0
Finance	120	0
OHRD	165	0
T&S	60	0
Pharmacy	302	(168)
<b>CRES Total</b>	<b>9,650</b>	<b>(778)</b>